

Message Text

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PAGE 01 LA PAZ 07040 071913Z

65

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 XMB-02 OPIC-03

ERDA-05 FPC-01 PM-04 SAM-01 OES-03 AF-06 EA-07 EUR-12

NEA-10 /141 W

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E.O. 11652: N/A

TAGS: ECON, ETRD, BL, BEXP

SUBJECT: GOB ESTABLISHES 25 PERCENT IMPORT DEPOSIT REQUIREMENT
AND PROHIBITS SOME CONSUMER IMPORTS

BEGIN L.O.U. SUMMARY. GOB OCTOBER 3 PROHIBITED IMPORTS OF 32
CLASSES OF CONSUMER GOODS AND REQUIRED 25 PERCENT DEPOSITS ON
MOST IMPORT CATEGORIES BUT REJECTED POSSIBILITY FO DEVALUATION,
CONTROLS ON FREE SALE OF FOREIGN EXCHANGE, OR INCREASED PRICES
FOR DOMESTIC PETROLEUM PRODUCTS. WHILE MEASURES MAY SLOW THE
DECLINE IN BOLIVIA'S FOREIGN EXCHANGE RESERVES AND PERHAPS GIVE
SOME IMPETUS TO DOMESTIC PRODUCTERS, THEY SEEM INADEQUATE TO
HALT BOLIVIA'S FALLING RESERVE TREND OF PAST SIX MONTHS. END
SUMMARY. END L.O.U.

1. FOLLOWING ALL-DAY CABINET SESSION OCTOBER 3, GOB DECREED
MEASURES DESIGNED TO ALLEVIATE A DETERIORATING BALANCE-OF-PAYMENTS
SITUATION AND PROMOTE IMPORT SUBSTITUTING DOMESTIC INDUSTRY
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PAGE 02 LA PAZ 07040 071913Z

IMPORTS OF 32 CATEGORIES OF DOMESTICALLY PRODUCED ITEMS, PRIMARI-

LY CONSUMER GOODS, ARE PROHIBITED FOR TWO YEARS, INCLUDING ROLLED AND CRUSHED OATS, SHAGHETTI, PASTRIES, SOUP PREPARATIONS, WINE AND CHAMPAGNE, SOAPS, DETERGENTS, DEODORANTS, FLOOR WAX, TOILET PAPER, VARIOUS CLASSES OF CLOTHING, 1.5 VOLT BATTERIES, AND VARIOUS TYPES OF WOOD AND METAL FURNITURE. DOMESTIC PRODUCERS OF PROHIBITED ITEMS ARE REQUIRED BY THE DECREE TO MAINTAIN THEIR PRICES AND QUALITY AS REQUIRED BY THE MINISTRY OF INDUSTRY, COMMERCE AND TOURISM. A SEPARATE DECREE REQUIRES A 25 PERCENT ADVANCE DEPOSIT ON IMPORTS 120 DAYS BEFORE ARRIVAL AT CUSTOMS. EXCEPTED FROM THE DEPOSIT REQUIREMENT ARE CEMENT, WHEAT, FLOUR, COOKING OILS, FATS, MILK PRODUCTS, PHARMACEUTICALS, AND IMPORTS UNDER THE HYDROCARBONS LAW AND THE MINERALS LAW. TEXTS OF DECREES WILL BE SENT BY AIRGRAM.

2. AFTER THE MEETING MINISTER OF ENERGY AND HYDROCARBONS, GUILLERMO JUMINEZ, STATED GOB HAD NOT CONSIDERED NOR DID IT HAVE IN MIND HIGHER DOMESTIC PRICES FOR PETROLEUM PRODUCTS, ALTHOUGH HE AGAIN REFERRED TO THE NATIONAL PETROLEUM CORPORATION'S (YPFB) DIFFICULT FINANCIAL SITUATION (SEE LA PAZ 7003) BECAUSE OF INFLATING PRICES FOR YPFB IMPORTS AND INCREASED DOMESTIC CONSUMPTION AT SUBSIDIZED PRICES. HE SAID DOMESTIC CONSUMPTION HAD RISEN TO 20,000 BARRELS DAILY INSTEAD OF EXPECTED 17,000.

3. PRESS RELEASE BY GOB OFFICE OF THE PRESIDENT ON 10/3 QUOTE MINISTER OF FINANCE CASTILLO DECLARING THAT GOB FOREIGN EXCHANGE RESERVES PRESENTLY ARE US\$ 149 MILLION COMPARED TO US\$ 184 MILLION AT END OF 1974 AND THAT GOB HAS NO INTENTION TO DEVALUE THE PESO OR RESTRICT THE SALE OF DOLLARS. ACCORDING TO PRESS RELEASE, CASTILLO ADMITS SALES OF DOLLARS TO FOREIGNERS HAVE BEEN HIGH RECENTLY BUT THAT IS NORMAL IN AUGUST-OCTOBER PERIOD. HE ALSO REJECTED REPORTS THAT GOB'S BUDGETARY DEFICIT WILL REACH US\$34 MILLION IN 1975.

4. BEGIN L.O.U. COMMENT: WHILE IMPORT PROHIBITION AND DEPOSIT MEASURES (ALONG WITH INCREASED TARIFFS AND SALES TAXES ON AUTOS IMPOSED IN SEPTEMBER) MAY SLOW BOLIVIAN IMPORTS SOMEWHAT, THE MEASURES APPEAR TO EMBASSY TO BE INADEQUATE TO HALT THE SLOW DECLINE IN GOB'S FOREIGN EXCHANGE RESERVES. NOTABLY MISSING FROM GOB ACTION ARE NEED TO RESTRICT IMPORTS OF DURABLE CONSUMER GOODS AND TO RAISE DOMESTIC PETROLEUM PRODUCT PRICES. ALREADY THE PRESS AND PRIVATE BUSINESSMEN ARE WONDERING WHETHER GOB LIMITED OFFICIAL USE

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PAGE 03 LA PAZ 07040 071913Z

WILL REALLY TAKE ACTION TO STOP CONTRABAND IMPORTS OF AUTOS AND ITEMS ON THE PROHIBITED LIST.

MINISTER CASTILLO IS WHISTLING IN THE DARK ON FOREIGN EXCHANGE RESERVES, WHICH ON NET BASIS, ACCORDING TO CENTRAL BANK INFORMATION, HAVE FALLEN FROM US\$ 147 MILLION AT END OF JULY TO US\$ 97 MILLION ON SEPTEMBER 20. PART OF REASON FOR FALL IS ARGENTINA'S DELINQUENCY ON PAYMENT DUE YPFB FOR SECOND QUARTER GAS

DELIVERIES (ABOUT US\$10.7
MILLION) AND PETROLEUM DELIVERIES FOR JULY AND AUGUST (US\$
10 MILLION) WHICH MINISTER JIMENEZ FAILED TO MENTION AS CONTRIBUT-
ING TO YPFB'S PROBLEMS. ARGENTINE PAYMENT WOULD RESTORE DECLINE
IN RESERVES TO ABOUT US\$ 10 MILLION PER MONTH TREND OF LAST SIX
MONTHS.

IN BRIEF, WE DON'T BELIEVE GOB HAS FULLY COME TO GRIPS WITH ITS
BALANCE OF PAYMENTS SITUATION. THE CASTILLO STATEMENT ON
RESERVES AND NO DEVALUATION ARE OBVIOUSLY MEANT TO CALM JITTERY
NERVES OF THE MANY BOLIVIANS WHO REMAIN UNSURE ABOUT THE DURABILITY
OF BOLIVIA'S NEWFOUND POLITICAL AND ECONOMIC STABILITY. WE
BELIEVE STRONGER MEASURES WILL BE NECESSARY TO BRING IMPORTS
DOWN UNLESS PRICES FOR BOLIVIA'S MINERALS EXPORTS TURN UPWARD
SOON.

END L.O.U.
PARKER

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